

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6584

BILL NUMBER: HB 1729

NOTE PREPARED: Feb 18, 2009

BILL AMENDED: Feb 17, 2009

SUBJECT: Gaming Tax Relief.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill allows a distressed riverboat to deduct promotional allowances from the riverboat's adjusted gross receipts. It also reduces the slot machine wagering tax brackets through June 30, 2014.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary* - The bill is estimated to reduce revenue to the state General Fund by \$22.9 M in FY 2010 and \$21.9 M in FY 2011.

Slot Machine Wagering Tax Reduction - The bill would temporarily reduce each of the rates in the graduated slot machine wagering tax structure by five percentage points from FY 2010 to FY 2014. The revenue loss from this rate reduction is estimated to total about \$17.7 M annually in FY 2010 and FY 2011.

The slot machine wagering tax is imposed on the annual adjusted gross receipts (AGR) generated by slot machines at Hoosier Park and Indiana Downs. AGR is the total wagers minus winnings paid out to gamblers. Revenue from the tax is distributed to the state General Fund. The Revenue Technical Committee forecast (December 11, 2008) for revenue from the tax is equal to \$96 M annually in FY 2010 and FY 2011. The bill would reduce the expected yield to about \$78.3 M each year. The slot machine wagering tax rates in current law and as proposed under the bill for FY 2010 to FY 2014 are compared in the table below.

Taxable AGR Increment Earned July 1 st to June 30 th	Tax Rate on AGR Increment	
	Current	Proposed for FY 2010 to FY 2014
\$100 M and under	25%	20%
Over \$100 M up to \$200 M	30%	25%
Over \$200 M	35%	30%

Distressed Riverboat AGR Deduction - The bill would temporarily allow Blue Chip Casino in Michigan City to deduct certain promotional allowances from its AGR each year from FY 2010 to FY 2014. The deduction would reduce the riverboat wagering tax paid by Blue Chip Casino during this five-year period. The revenue loss from the deduction is estimated to total about \$5.2 M in FY 2010 and \$4.2 M in FY 2011 and would accrue to the state General Fund.

The deduction would apply only to amounts expended by Blue Chip to permit a patron to make a complimentary wager on a gambling game or play a gambling game without consideration. The deduction does not apply to amounts expended to provide a patron with complementary lodging, meals, or merchandise. The deduction would be capped at \$15 M in FY 2010 and decline by 20% each year thereafter. The table below specifies the maximum allowable deduction by year.

Fiscal Year	Maximum Promotional Allowance Deduction
2010	\$15 M
2011	\$12 M
2012	\$9 M
2013	\$6 M
2014	\$3 M
2015 and after	No Deduction Allowed

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Gaming Commission; Department of State Revenue.

Local Agencies Affected:

Information Sources: Revenue Technical Committee Forecast, December 11, 2009.

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